

Does Your Company's Finance Department Earn a Passing Grade?

There is no exact formula as to how a company's finance department should be structured. The organization and responsibilities are usually tailored to the financial and operational demands of each particular company. Some companies have finance departments that are primarily focused on day to day processing and recording of transactions and managing the cash flow in and out of the company. Other finance departments have a broader reach of responsibility and demonstrate a greater sphere of influence and more dominant role in the direction a company takes. Some finance departments are also tasked with oversight of non-financial areas such as risk management, human resources, facilities and other administrative roles. To provide the appropriate amount of oversight and operational support in a company, sufficient resources need to be invested in the finance function and focus needs to be appropriately spread among both short-term operating demands and longer-term strategic initiatives.

How well is your company's finance function supporting your company? Does the function appropriately deliver the information and direction that is essential to ensure the financial health and strength of your company? Take the following test and find out. Below are ten financial areas that a top-notch finance department would be managing well:

REQUIREMENTS OF A TOP NOTCH FINANCE DEPARTMENT

1. Financial reporting process generates monthly, quarterly and annual financial analysis and reports against budget in a timely manner.
2. Accounting of day to day transactions in accordance with Generally Accepted Accounting Principles
3. Tracking of Key Performance Indicators (KPIs) providing management with important operational and financial information.
4. Existence of internal controls that segregate duties, safeguard assets and provide comfort and financial security.
5. Bottoms up budget process with departmental input, allocation of responsibility and rolling or periodic updates.
6. Tax planning on a jurisdictional basis including local, state, federal and foreign exposures.
7. External relationships (e.g., vendors, auditors, etc.) that foster confidence and trust
8. Internal relationships (management and employees) that foster leadership and guidance

9. Financial systems that support the operating business, financial reporting, budget and KPI processes
10. Cash flow management, tracking customer receivables, management of vendor obligations, and utilization of cash funding sources

Look at each requirement above and pick the column of descriptives from the score sheet below that best reflects the quality of your finance department's production in that area.

<i>SCORE</i>		
2 points	1 point	0 points
<i>Comprehensive</i> <i>Effective</i> <i>Consistent</i> <i>Capable</i> <i>Efficient</i> <i>Accurate</i> <i>Impressive</i> <i>Useful</i>	<i>Adequate</i> <i>Marginal</i> <i>Decent</i> <i>Fair</i> <i>Satisfactory</i> <i>Tolerable</i> <i>Passable</i> <i>Unexceptional</i>	<i>Weak</i> <i>Nonexistent</i> <i>Anemic</i> <i>Shaky</i> <i>Sluggish</i> <i>Makeshift</i> <i>Rocky</i> <i>Undependable</i>

Grade each requirement with the number of points associated with the descriptives column you selected. Total up your score and give your finance department a grade as follows:

<u>Score</u>	<u>Grade</u>
15 to 20	<i>A</i>
12 to 14	<i>B</i>
9 to 11	<i>C</i>
6 to 8	<i>D</i>
0 to 5	You Fail!

If you scored an A or a B, congratulations; you have the structure of a top-notch finance organization. If you achieved a lower grade, you need to step back, evaluate and decide how important it is to your organization to make improvements in the areas where you scored low. Often these decisions come down to budget constraints, but sometimes it is just a matter of realizing that improvement is needed, prioritizing demands, and determining a course of action that will set your company on the right track.

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